

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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E.O. 11652: N/A

TAGS: EGEN, EFIN, AR

SUBJECT: IMF MISSION LEAVES ARGENTINA; ECONOMY MINISTER MONDELLI
TO ANNOUNCE NEW ECONOMIC PROGRAM

REF: BUENOS AIRES 0932

1. LAST WEEKEND, IMF MISSION QUIETLY DEPARTED BUENOS AIRES. AS WASHINGTON AWARE, MISSION'S PURPOSE WAS TO REVIEW ARGENTINE ECONOMIC SITUATION IN CONNECTION WITH RECENT GOA REQUEST FOR NEW IMF CREDITS (SEE REFTEL). WHILE VISIT OF MISSION RECEIVED CONSIDERABLE PRESS PUBLICITY, THERE WAS LITTLE CRITICAL COMMENTARY. THUS FAR, PUBLIC REACTION TO MISSION'S VISIT VERY QUIET. PUBLIC ATTENTION CONTINUES FOCUS ON POLITICAL CRISIS HERE.

2. ECOM COUNSELOR AND DEPUTY REVIEWED DEVELOPMENTS WITH MISSION CHIEF JACK GUNTHER BEFORE HIS DEPARTURE. GUNTHER SAID PROSPECTS QUITE FAVORABLE FOR ARGENTINE DRAWINGS UNDER EXPORT COMPENSATION FACILITY (ABOUT \$140 MILLION). HOWEVER, HE FELT RENEWED GOA ACCESS TO OIL FACILITY MORE DIFFICULT,
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ONE REASON BEING LOW LEVEL OF FUNDS NOW AVAILABLE IN OIL

FACILITY FOR DISTRIBUTION. GUNTHER DOUBTED IMF INPOSITION
CONSIDER GOA REQUEST FOR FIRST CREDIT TRANCHES BEFORE
MONTH OR TWO. HE EMPHASIZED GOA PROBABLY WOULD HAVE TO
PRESENT MORE REALISTIC ECONOMIC PROGRAM TO QUALIFY.
GUNTHER ALSO MADE INTERESTING POINT THAT IMF INITIALLY
RELUCTANT VISIT ARGENTINA IN PRESENT POLITICAL SITUATION
AND ONLY HAD AGREED DO SO AT STRONG GOA URGING.

3. LATER THIS WEEK, ECONOMY MINISTER MONDELLI SCHEDULED
TO ANNOUNCE NEW "EMERGENCY ECONOMIC PROGRAM" TO RESTORE
ECONOMIC STABILITY. ACCORDING PRELIMINARY PRESS ACCOUNTS,
PROGRAM LIKELY INCLUDE IMMEDIATE WAGE INCREASE, 90 DAY WAGE-PRICE
TRUCE PUBLIC SERVICE RATE INCREASES, TIGHTER PRICE CONTROLS, CON-
GRESSIONAL ACTION ON TAX REFORM AND BUDGET, AND FURTHER
DEVALUATION OF PESO. REPORTEDLY, ORGANIZED LABOR STRONGLY
OPPOSES SEVERAL MEASURES ADVERSELY AFFECTING ITS INTERESTS. MON-
DELLI HAS ANNOUNCED HE WILL RESIGN IF NECESSARY SUPPORT TO IMPL-
MENT PLAN NOT FORTHCOMING.

4. COMMENT: IN PRACTICE, MONDELLI'S FUTURE AND THAT OF
HIS PLAN CLEARLY DEPENDENT ON OUTCOME CURRENT POLITICAL
CRISIS. MEANWHILE, ECONOMIC POLICY CONTINUES DRIFT.
BASIC MEASURES ON TAXES, BUDGET, PRICES, WAGES, ETC.
ARE URGENTLY REQUIRED.
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